

Evaluating risk adjusters for Part D

ISSUE: Part D's risk adjustment is critically important because if it is inaccurate it can create incentives for plans to avoid certain beneficiaries.

KEY POINTS: CMS adjusts payments to Medicare Advantage (MA) and Part D plans for the relative risk of each enrollee based on the individual's demographic characteristics and medical diagnoses. CMS also adjusts payments for the higher average costs of enrollees who receive low-income subsidies (LIS) or are institutionalized. CMS's prescription drug hierarchical condition category (RxHCC) risk scores were developed prior to the start of Part D. Part D drug claims information provides an opportunity to evaluate the performance of the RxHCC model and explore potential improvements.

ACTION: John Hsu, M.D., of Kaiser Permanente Northern California's Division of Research, will present results of his analysis of the RxHCC methodology and potential improvements.

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